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PROBABLE DEVELOPMENTS IN BOLIVIA

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CENTRAL INTELLIGENCE AGENCY

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PROBABLE DEVELOPMENTS IN BOLIVIA

THE PROBLEM

To assess the current situation and probable developments in Bolivia, particularly the character and stability of the present regime.

CONCLUSIONS

1. Bolivia is one of the most economically retarded and politically unstable countries in Latin America. The present National Revolutionary Movement (MNR) regime is one of the few broadly based governments which Bolivia has had. It enjoys wide popular support, particularly from labor and middle class elements.

2. The only significance of Bolivia's extremely weak military and para-military forces lies in their ability to influence the domestic political situation. At present the MNR firmly controls all three components of Bolivia's forces — the Army (which includes the Air Force), the police, and the civilian militia. If any two of these groups combined against the government, however, they could almost certainly seize power.

3. While the general orientation of the MNR is left of center, dominant influence in the government is now exercised by the party's moderate wing. Although it has accepted some support from Bolivia's two small Communist groups, the MNR is making increased efforts to reduce Communist influence. Nevertheless, it has hesitated to launch a frontal assault on the Communists and they retain some influence, especially in the school system and among organized labor.

4. Although the MNR government was critical of the US when it first came to power, it has become increasingly pro-US in its outlook because of US support of the regime. However, should the government lose confidence in US support, it almost certainly would revert to an anti-US orientation.

5. The MNR's ambitious program to expand and diversify Bolivia's economy and lessen its dependence on tin exports is the most vigorous attack to date on Bolivia's basic economic problems, but it is unlikely to bring about substantial increases in output in less than two years. Meanwhile, owing largely to a sharp decline in tin prices, Bolivia faces growing economic difficulties, although emergency US aid has averted economic collapse.

6. After mid-1954, when emergency US aid will be exhausted, the government's stability and political orientation will depend greatly upon its ability to obtain

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additional outside support. If it can secure such aid, the MNR will probably continue its present moderate course without any serious threat to its continuance in power.

7. In the absence of external aid, the government would soon face an economic crisis and its stability would become increasingly tenuous. The MNR's labor wing would probably demand and receive an increasingly important role in the government. It might gain a controlling voice in the government, possibly with Communist support. Such a leftist regime would almost certainly be turbulent and short lived.

8. Moreover, to the extent that the present regime moved leftward it would lose much of its moderate support. In these circumstances the chief opposition party, the rightist, ultranationalist Bolivian Socialist Falange (FSB), would probably, over a period of time, amass sufficient backing to bring off a successful coup. Thus sooner or later the present government would almost certainly be overthrown.

9. An FSB regime would not be capable of stabilizing the economic situation without itself receiving substantial external aid. Even with such assistance, the FSB would have difficulty obtaining broad popular support.

10. In any case, the basic weaknesses of the Bolivian political, economic, and social structure are such that no Bolivian government will be able to prevent recurrent unrest and economic crises, and some degree of political instability will persist for some years to come.

11. Further political and economic deterioration would almost certainly increase Communist strength. However, the Communists alone could not gain and maintain control of Bolivia in the foreseeable future.

DISCUSSION

12. Bolivia is one of the most economically retarded and politically unstable countries in Latin America. Formidable geographical obstacles and lack of transportation facilities have hampered national growth. The small population of some 3,500,000 is clustered mostly on the high Andean tableland, while the more fertile but less accessible lowlands to the east are largely undeveloped. Most of the population exists on a subsistence economy. The only developed industry is mining, particularly of tin, which provides the great bulk of government revenues and foreign exchange. Normally slightly over half of Bolivia's tin goes to the UK, and the remainder to the US. The fact that Bolivia is the sole significant Western Hemisphere source of tin gives it considerable strategic importance to the US, although Bolivia normally provides only 10–15 percent of US peacetime requirements.

13. Bolivia's remoteness and poverty in developed resources have greatly retarded its social and political progress. The great bulk of the people are illiterate Indians and mestizos (persons of mixed ethnic origin) who have had no effective voice in national affairs. A small minority of literate whites and mestizos have constituted the effective body politic. The country has been dominated by a still smaller group of large landholders, senior army officers, and representatives of the mining interests. These groups were unable to maintain political stability and showed little effective interest in economic development or social improvement. Bolivia's humiliating defeat in the Chaco War (1932–1935) emphasized the ineptitude of the country's tradi-

tional leadership and stimulated the demands of middle class and labor elements for social, economic, and political reform. The continuing inertia of the traditional ruling group in the face of these demands resulted in a progressive decline of its prestige.

14. The National Revolutionary Movement (MNR) was organized by middle class elements in 1941 to press for economic and social reforms. The MNR participated in the Villarroel Administration (1943–1946), but the military elements dominant in that regime prevented the MNR from shaping major policies. Nevertheless, during this period the MNR was able to broaden its political base through its appeal to labor elements, especially to the miners. With the fall of Villarroel the MNR went into eclipse, but the failure of succeeding governments to effect appreciable reforms resulted in a revival of its popularity. In the 1951 presidential balloting the MNR candidate, Victor Paz Estenssoro, received a substantial plurality of the vote of the narrowly restricted electorate, but the incumbent government forestalled his election by Congress by turning over its power to a military junta. In April 1952, however, this junta was overthrown by a revolution organized by the MNR with the support of the police and of armed workers, and Paz Estenssoro was called from exile in Buenos Aires to assume the presidency.

15. The policies of the MNR government, especially its nationalization of the tin mines and agrarian reform, have aroused much interest throughout Latin America. The other Latin American countries are closely watching the US attitude toward the new regime.

POLITICAL SITUATION

16. The MNR, led by President Victor Paz Estenssoro, has formulated the first broad program of economic development and social reform. It has undermined the power of the old ruling groups by purging the Army and creating its own militia, by nationalizing the tin mines, and by instituting agrarian reform. It has broadened the electorate to include the unassimilated Indians and mestizos by decreeing universal suffrage with no literacy requirement, and is making efforts to organize rural labor. Although these measures have incurred the embittered opposition of many in the previous ruling group, they have been generally popular and the net effect has been to strengthen the MNR's political backing.

17. While the MNR regime is authoritarian, it enjoys broad popular support. It has strong backing from urban and farm labor and a probable majority of the middle class professionals, white collar elements, and owners of small and medium-sized farms. The MNR has the support of the powerful mine workers federation of approximately 45,000 members led by Juan Lechin, the leftist Minister of Mines who is the second strongest figure in the present regime. The MNR also controls the other two major labor federations: the factory workers (about 25,000), and transport and communications unions (about 15,000). Moreover, the MNR dominates the Bolivian Labor Central (COB), a council created by the MNR to represent labor at the national level and to strengthen government-labor liaison.

18. However, the MNR is not a homogeneous party, and its coherence is largely dependent on the personal relations among a few key men. Although Paz Estenssoro is the recognized leader and key figure, his party is split roughly into a presently dominant moderate wing, composed largely of middle class elements led by Vice President Siles Suazo and a more radical labor wing led by Lechin. Paz is inclined toward the moderate wing. Thus far his unifying influence, and the feeling of each wing that it needs the other have led both wings to accept compromise solutions on most issues. For example, the labor wing pushed the MNR into immediate nationalization of the tin mines and expropriation of large landholdings, but the moderates prevailed in securing approval of compensation for these properties (although the amount has not yet been agreed upon). The moderates have also successfully resisted labor pressures for sharp wage increases and for greater participation in management of the mines. Should Paz be removed from the scene, Lechin would probably succeed him, although not without some opposition.

19. *Leftist Influence in the MNR.* Although dominant influence is now exercised by its moderate elements, the general orientation of the MNR is left of center. The leftist cast of the MNR reflects not only the nature of some of its leadership and backing, but also the fact that it rose to power as a revolutionary protest movement against previous conservative regimes. Allegations have been made that the MNR is pro-Communist because it has received varying degrees of Communist support and because many of the objectives of the MNR (nationalization, agrarian reform, etc.) have also been favored by the Communists.

20. In fact, Bolivia's small and divided, but vociferous, Communist groups have been a source of both support for and opposition to the MNR. They represent another manifestation of the same reaction that fostered the MNR, and have drawn their membership from some of the same social groups as has the MNR. They gained a foothold in Bolivia by capitalizing on the growth of resentment against previous regimes and on the Latin American tendency to blame "capitalism" and "Yankee imperialism" for most national ills. Two small parties are currently active, the Stalinist Bolivian Communist Party (PCB) and a Trotskyite group, the Revolutionary Workers Party (POR). The PCB has roughly 2,000 members, drawn mostly from middle class intellectual elements, particularly in the school system. The POR, with roughly 1,000 members, is strongest among organized labor. The two parties present a common anti-US front on foreign policy, but have adopted different tactics on domestic issues. The PCB has followed a policy of conditional support for the MNR; it advocates a "united national front" and is apparently willing to compromise, at least temporarily, its long term objectives. The POR, on the other hand, has been considerably more extreme and has increasingly opposed MNR policies.

21. The advent of the MNR regime has benefited the Communists in Bolivia and they enjoy a considerable degree of government toleration of their activities. However, the MNR's attitude toward the Communists has undergone a considerable evolution since the 1952 revolution. Initially the MNR accepted Communist support in its struggle for power as a matter of expediency. Once in power, however, the MNR has tended to recognize the fundamental rivalry between itself and the Communists, and has gradually adopted a more anti-Communist attitude. It has also recognized that close association with the Communists would diminish its chances of getting US aid. The Communists in turn have become increasingly critical of the MNR.

22. The MNR has made increasing efforts to reduce Communist influence in the government and among labor and agrarian elements. For example, it has removed a number of Communists and suspected Communists from important government and trade union posts, although the Communists retain some influence in the unions and in the school system. While Lechin, among others, cooperated with the Communists before the revolution, thus facilitating the spread of Communist doctrine in the labor movement, he and the POR are now rivals for control of labor. However, the MNR has hesitated to launch a frontal assault on the Communists because of: (a) the conditional support it has so far received from the PCB; (b) its need to draw upon PCB-influenced groups for technical and administrative personnel; and (c) its far greater concern over the threat from the right and its desire to avoid exposing both flanks simultaneously.

23. *The Opposition from the Right.* The rightist Bolivian Socialist Falange (FSB) constitutes the chief opposition to the MNR. The FSB, a small but militant ultranationalist group drawn mostly from conservative elements among the middle class, has become the focal point for those opposed to the MNR, such as high ranking army officers removed by the MNR, the expropriated tin interests, and some large landowners. Some members of the Church hierarchy also are in sympathy with the FSB, although the general Church attitude apparently is one of toleration toward the present government. The FSB denounces the MNR as Communist dominated and seeks to overthrow it in favor of an authoritarian conservative regime. How-

ever, the FSB has so far been unable to gain much popular support, and its present capabilities for a coup are limited. Close MNR surveillance and security measures have reduced it largely to clandestine activity. Many FSB and other opposition leaders have been forced into exile. The FSB is also weak in the key La Paz area, control of which has usually been essential to a successful coup.

24. *Military and Para-Military Forces.* The only significance of Bolivia's extremely weak military and para-military forces lies in their ability to influence the domestic political situation. At present the MNR firmly controls all three components of Bolivia's forces — the Army (which includes the Air Force), the police, and the civilian militia. No one of these groups could seize power if both others opposed it, but any two of them combined could almost certainly seize power.

25. The Army, the bulwark of previous governments, was shattered by the 1952 revolution, but the MNR has rebuilt it to some extent. It now numbers approximately 10,000 and consists largely of short-term conscripts who receive little more than basic training. Its usable equipment consists largely of light infantry weapons. The Army Air Force has 454 men, 42 of them pilots, and 51 aircraft, mostly trainers. Its sole tactical unit consists of seven C–47's. The MNR has purged the Army and the Air Force and keeps them under close surveillance. Most active officers are probably sympathetic toward the basic objectives of the regime. The regiments in the vital La Paz area and in the mining center of Oruro are the most dependable because of higher pay and careful screening. However, many officers are disturbed by the leftist and alleged pro-Communist tendencies within the MNR; some of the younger ones are susceptible to the influence of various exiled officers who support the FSB.

26. There are also 4,300 National Police, mostly long-service personnel, armed with light weapons. Except for the Army regiments in La Paz and Oruro, the police are probably the most efficient force in Bolivia, but are too few by themselves to cope with either the Army or the militia. They supported the MNR in the 1952 revolution and are now loyal to the regime.

27. The civilian militia, numbering 20,000–30,000, is composed in part of MNR party units directly responsible to President Paz and in part of worker units controlled by the MNR labor leaders. The MNR organized the militia from the armed workers and other groups which supported the 1952 revolution in order to bring them under control and to provide a counterweight to the Army. Although the militia is very poorly organized and trained, amounting in some cases to little more than an armed mob, large numbers of them are fanatically loyal to the regime. They are particularly strong in La Paz and the mining areas.

ECONOMIC SITUATION

28. Bolivia's economic growth is hampered by formidable obstacles to communication; low levels of literacy, health, and living conditions; lack of investment capital; and Indian resistance to change. At least two-thirds of the population is engaged in agriculture and most farming is on a subsistence level. The small amount of commercial agriculture has been increasingly inadequate to meet the needs of the nonagricultural population. Thus Bolivia has to import a large part of its food. Industrial development, aside from mining, is limited to a few simple processing and fabricating industries; it is retarded by the smallness of the local market, high transportation costs, and the inadequacy of domestic raw materials and fuels. Thus such demand as exists for manufactured goods must also be satisfied mostly from abroad.

29. Under these conditions Bolivia's economy is largely dependent upon mineral exports, mostly tin, antimony, and tungsten. Tin exports have normally supplied about 70 percent of Bolivia's foreign exchange and 90 percent of government revenues. However, Bolivia is an increasingly marginal tin producer and highly vulnerable to fluctuations in the world tin market. Since World War II, the declining tin content of Bolivia's ore and higher extraction costs have weakened Bolivia's com-

petitive position, thus reducing its ability to meet essential import needs. These economic difficulties have been aggravated by chronic governmental inefficiency and maladministration, persistent inflation, and political and social unrest.

30. The MNR has launched an ambitious long-range program to expand and diversify the economy, largely by increasing production of foodstuffs and consumers goods. It hopes thereby to lessen Bolivia's need for extensive imports and consequent dependence on fluctuating exports of tin. The government is stressing development of agricultural, forest, and petroleum resources in the lowlands and the Amazon basin. It is attempting to develop commercial agriculture in place of subsistence farming, to expand rail and highway facilities, and to encourage foreign investment. The MNR is utilizing US and UN technical assistance and has given a concession to private US interests to develop oil deposits in southeast Bolivia.

31. However, the MNR has met serious difficulties in its economic stabilization and development efforts. Its hope that the revenues and assets gained from the nationalized tin mines would stabilize its fiscal position and ease foreign exchange shortages was nullified by the precipitous decline in tin prices which began in April 1953. Moreover, the government also felt compelled to disburse a large part of the liquid assets secured from mine nationalization in bonuses and unemployment compensation. These factors, together with continued governmental inefficiency and poor fiscal management, have intensified one of the most severe inflations in Latin America. The government's attempts to stem the tide by a series of wage, price, and currency stabilization measures have proved largely ineffective.

32. Nevertheless by such means as borrowing on its foreign gold holdings, drawing on its quota in the International Monetary Fund, liquidating exchange reserves, and above all securing emergency US aid, the MNR has at least temporarily staved off economic collapse. A US grant of $9 million, mostly foodstuffs, in October 1953 has helped assure adequate imports until about June 1954, and a $2 million increase in US technical assistance is facilitating a food production program.

PROBABLE DOMESTIC DEVELOPMENTS

33. Bolivia's future political stability will depend greatly on the extent to which its government can prevent further economic deterioration and meet development needs. Although the MNR has launched a vigorous attack on Bolivia's basic economic problems, its ability to fulfill its ambitious program is limited not only by lack of capital but by the shortage of skilled administrative and technical personnel, the feeling of insecurity in business circles, and some continued opportunism and corruption in the government. None of the agricultural projects now underway will appreciably increase food production in the next year or two. Although the MNR apparently intends to restrict expropriation to relatively few landowners, uncertainty on this point and occasional agitation over agrarian reform may lead to further declines in food production in areas affected. Moreover, tin prices appear unlikely to rise significantly in the near future. Therefore, we estimate that the MNR is unlikely to be able to bring about substantial increases in agricultural and industrial output in less than two years. Moreover, completion of the MNR program will require at least five years.

34. Meanwhile, the MNR's ability to retain broad popular support will depend greatly on whether it can meet the immediate problems of inflation and food shortages. Largely as a result of existing US aid further serious economic deterioration is unlikely before mid-1954, and the MNR will probably face no serious political challenge. After mid-1954, however, renewed economic distress is likely unless Bolivia can obtain additional external support. If such aid were secured, the MNR would probably continue its present relatively moderate course; it would probably continue to move slowly on agrarian reform and would attempt to make some compensation payments to the tin interests.

35. On the other hand, without economic aid, the MNR Government would soon exhaust its

slender resources and be unable to forestall a further inflationary spiral. Agitation from the right and left, including the MNR labor wing, would almost certainly increase. We believe that in such a case the MNR would feel compelled to move increasingly toward the left to maintain its crucial labor support. The MNR's labor wing would probably demand and receive an increasingly important role in the government. It might gain a controlling voice in the government, possibly with Communist support. However, such a leftist regime would almost certainly be turbulent and short-lived.

36. Moreover, to the extent that the present regime moved leftward it would lose much of its moderate support. In these circumstances the FSB would probably over a period of time amass sufficient backing, including disaffected army and police elements, to bring off a successful coup. Thus, without additional aid, the present government would almost certainly be overthrown sooner or later.

37. An FSB regime would not be capable of stabilizing the economic situation without itself receiving substantial external aid. Even with such assistance, the FSB would have difficulty obtaining broad popular support. In particular, it would face formidable opposition from the MNR.

38. In any case the basic weaknesses of the Bolivian political, economic, and social structure are such that we believe that no Bolivian government, even with substantial external aid, will be able to prevent recurrent economic crises and social unrest from persisting for some years to come. Thus at best the long term outlook is for some degree of political instability.

39. *Communist Prospects.* So long as the MNR's moderate leadership feels relatively secure in power, it will probably continue its efforts to contain and weaken the Communists. To the extent that the MNR program is successful, the government's ability to curb the Communists would be increased. By the same token, renewed economic deterioration and consequent political unrest would almost certainly lead to an increase in Communist influence. If, in this event, the MNR moved more to the left, it would be more willing to accept Communist support. If the MNR's labor wing went so far as to split off, it would probably cooperate closely with the Communists. Finally, a successful FSB coup would probably lead the MNR as a whole to cooperate at least temporarily with the Communists in attempts to regain power. In any event, the Communists alone could not gain and maintain control of Bolivia in the foreseeable future.

FOREIGN RELATIONS

40. Bolivia's internal weaknesses, its past military defeats and losses of territory, and its lack of access to the sea have tended to create a national inferiority complex and sense of insecurity. Its long-range aspiration to re-acquire a Pacific port has occasionally caused strained relations with Chile and Peru. Fearful of the intentions of neighboring countries, successive Bolivian regimes, including the MNR, have sought to play foreign interests off against each other, as in the case of Argentina and Brazil. Although preserving cordial relations with Argentina, an important source of foodstuffs, the MNR government is resisting Argentine penetration, and seeking to decrease its dependence on Argentina by developing trade and communications with Brazil.

41. The MNR's program has aroused much sympathetic interest in Latin America, and only Peru has had a strongly unfavorable reaction. Peru fears that the example of the MNR program may lead to similar demands in Peru and that the MNR might encourage the Odria Government's opponents. Conversely, the MNR fears that its rightist opponents, many of whom have taken refuge in Peru, may secure Peruvian assistance for a coup.

42. Bolivia's policy toward the US is primarily determined by its desire for US economic support. Nevertheless, with the growth of popular demands for change which culminated in the MNR coup, there has been a tendency to blame alleged US "imperialism" for backing the tin interests and for not helping Bolivia sufficiently, especially in times of economic

stress. This latent anti-US sentiment has been widely exploited by political leaders, including the Communists, to blame the US for Bolivia's woes. When the MNR first came to power, domestic political exigencies and its uncertainty as to US intentions made it quite critical of the US. As a result of subsequent US aid and the tolerant US attitude toward the regime, however, the MNR has become increasingly pro-US in its outlook and has taken the position that Bolivia's interests will be best served by cooperating with the US. However, should the government come to feel that the US was not supporting it, active anti-US feelings would almost certainly increase again. Bolivia has generally supported the US in the UN on important issues between the US and the Soviet Bloc, although like most Latin American states it has been less willing to follow the US lead on economic, colonial, and racial questions. In event of general war, Bolivia would almost certainly cooperate with the US.

43. At present, Bolivia has very limited relations with the Soviet Bloc. There are no Bloc diplomatic missions in La Paz, although the Czech and Hungarian legations in Buenos Aires are accredited to Bolivia. Bolivia's trade with the Bloc is also insignificant. However, continuing economic difficulties would stimulate greater Bolivian interest in closer diplomatic and trade relations with the Bloc, and thereby render Bolivian opinion vulnerable to Communist propaganda. In these circumstances, the USSR, by applying economic warfare measures to Bolivia, could secure important psychological advantages there and elsewhere in Latin America.

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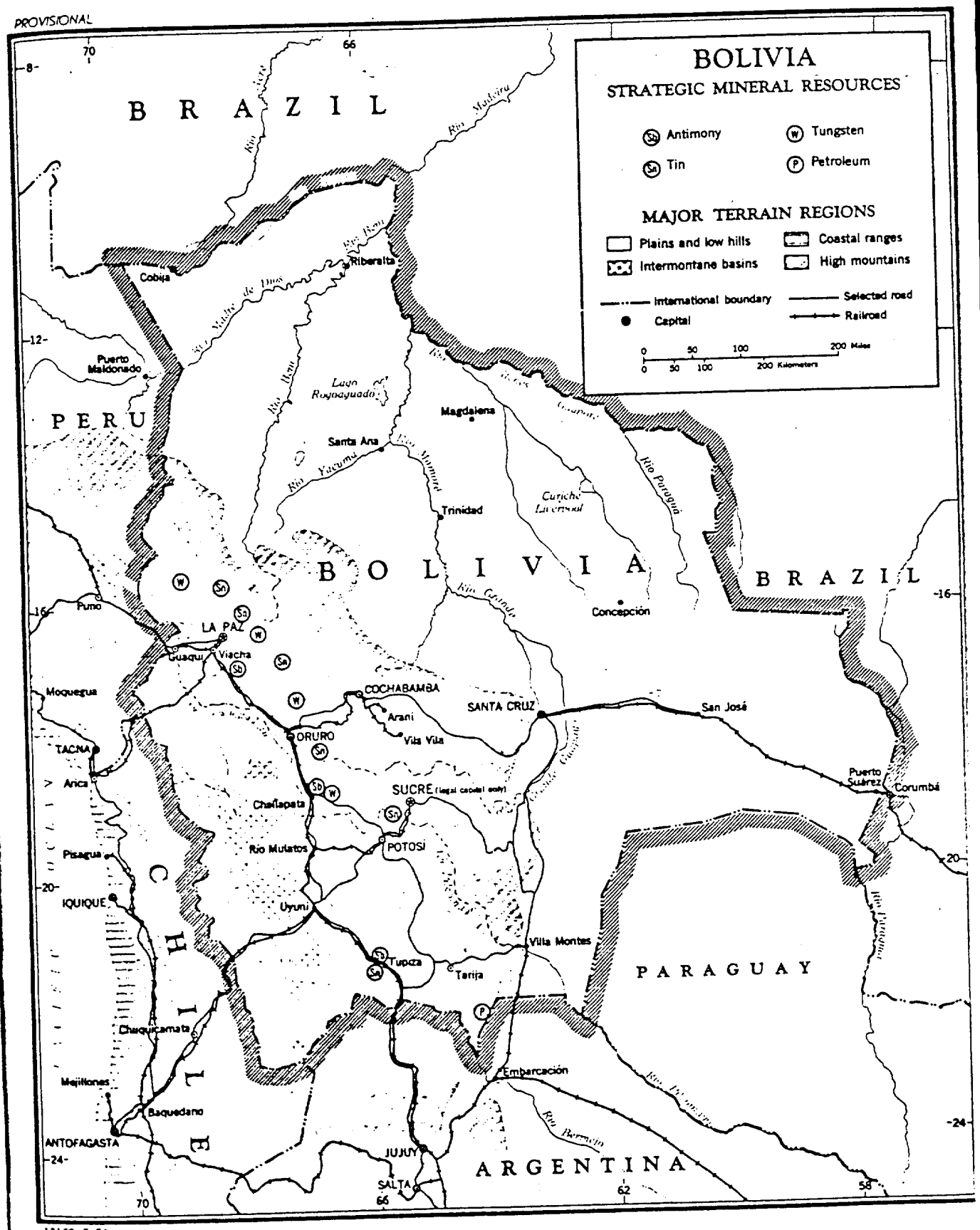

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